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May 20, 1986

INTERSTATE COMMERCE COMMISSION

6-140A019

No.

Date

MAY 20 1986

Fee \$

10.00

KCC Washington, D.C.

Mr. James H. Bayne
Secretary
Interstate Commerce Commission
Washington, D.C.

Dear Mr. Bayne:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303 are five executed counterparts of a Finance and Security Agreement dated as of March 2, 1986, a "primary document" as defined in the Commission's Rules for the Recordation of Documents.

A description of the railroad equipment covered by the enclosed document is set forth in Schedule A attached hereto and made a part hereof.

The names and addresses of the parties to the enclosed Finance and Security Agreement are:

Secured Party: California Group Services
One Walnut Creek Center
100 Pringle Avenue
Walnut Creek, California 94596

Debtor: Greenbrier Leasing Corporation
One Centerpoint Drive
Lake Oswego, Oregon 97034

Also enclosed is a check in the amount of \$10 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return stamped copies of the enclosed document not needed for your files to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

New Number
Overlaid

MAY 20 2 30 PM '86


Mr. James H. Bayne
Secretary
Interstate Commerce Commission

Page Two

A short summary of the enclosed primary document to
appear in the Commission's Index is:

Finance and Security Agreement dated as of March 1,
1986 between California Group Services, Secured
Party, and Greenbrier Leasing Corporation, Debtor,
covering four hundred forty-six (446) 70-ton
trailer-on flatcars.

Very truly yours,


Charles T. Kappler

Enclosures

SCHEDULE A

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>IDENTIFYING MARKS AND NUMBERS</u>	<u>NUMBER OF CARS</u>	<u>DESCRIPTION</u>	<u>ASSIGNED VALUE EACH</u>	<u>TOTAL ASSIGNED VALUE</u>
SP900011 to SP900478 inclusive, except not including SP900193, SP900206, SP900267, SP900337, SP900353, SP900421, SP900424, SP900427, SP900428, SP900430 to SP900432, SP900434, SP900435, SP900438, SP900439, SP900441, SP900445, SP900457 TO SP900459, SP900464, SP900465, SP900468, SP900471, and SP900475; SP901100. to SP901103 inclusive.	446	70 ton trailer-on flatcars		

115W NUMBER

FINANCE AND SECURITY AGREEMENT

14962
RECORDATION NO. 1425
Filed 1425

MAY 20 1986 -2 30 PM

INTERSTATE COMMERCE COMMISSION

Dated as of March 2, 1986

Between

GREENBRIER LEASING CORPORATION

DEBTOR

And

CALIFORNIA GROUP SERVICES

SECURED PARTY

THIS FINANCE AGREEMENT AND ALL SUMS DUE AND TO BECOME DUE HEREUNDER HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, THE CONNECTICUT NATIONAL BANK AS SECURITY TRUSTEE UNDER A PLEDGE AND SECURITY AGREEMENT-TRUST DEED DATED AS OF MARCH 2, 1986 BETWEEN THE CONNECTICUT NATIONAL BANK AND CALIFORNIA GROUP SERVICES. TO THE EXTENT THAT THIS FINANCE AGREEMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS FINANCE AGREEMENT MAY BE CREATED THROUGH THE TRANSFER AND POSSESSION OF ANY COUNTERPART OF THIS FINANCE AGREEMENT OTHER THAN THROUGH THE TRANSFER AND POSSESSION OF THAT COUNTERPART OF THIS FINANCE AGREEMENT MARKED "COUNTERPART NO. 1" RECEIPT OF WHICH IS ACKNOWLEDGED BY THE CONNECTICUT NATIONAL BANK, AS SECURITY TRUSTEE UNDER THE AFORESAID PLEDGE AND SECURITY AGREEMENT-TRUST DEED. INFORMATION CONCERNING SUCH SECURITY INTEREST MAY BE OBTAINED FROM THE CONNECTICUT NATIONAL BANK, 777 MAIN STREET, HARTFORD, CT 06115, ATTENTION: BOND AND TRUSTEE ADMINISTRATION.

COUNTERPART NO. 2

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Schedule 1 - Amortization Schedule

Schedule 2 - Description of Items of Equipment

Exhibit A - Form of Secured Note

FINANCE AND SECURITY AGREEMENT

THIS FINANCE AND SECURITY AGREEMENT dated as of March 2, 1986 (the "Security Agreement") is from GREENBRIER LEASING CORPORATION, a Delaware corporation (the "Debtor") with a principal place of business at One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97034, to CALIFORNIA GROUP SERVICES, a California corporation (the "Secured Party") with a principal place of business at One Walnut Creek Center, 100 Pringle Avenue, Suite 225, Walnut Creek, California 94596.

R E C I T A L S:

A. The Debtor has leased certain railcars from the Secured Party pursuant to a Railroad Equipment Lease dated as of November 1, 1982 and a second Railroad Equipment Lease dated as of January 1, 1983 (as amended December 9, 1983), which leases have been further amended by an Amendment to Railroad Equipment Leases dated as of March 2, 1986 (the leases together, as amended, hereinafter called the "Leases").

B. The Debtor has subleased the railcars subject to the Leases to Southern Pacific Transportation Company, a Delaware corporation ("Southern Pacific") pursuant to a Railroad Equipment Lease dated as of September 1, 1982, as amended by an Amendment and Supplement to Railroad Equipment Lease dated as of June 3, 1983, a Second Amendment and Supplement to Railroad Equipment Lease dated as of March 15, 1984 (as further amended December 15, 1984) and a Third Amendment and Supplement to Railroad Equipment Lease dated as of August 20, 1985 (such lease, as amended, hereinafter called the "Southern Pacific Lease").

C. The Debtor has agreed to sell and the Secured Party has agreed to purchase not later than May 30, 1986 the 10.00% Secured Notes due 1992 (the "Notes") of the Debtor not exceeding an aggregate principal amount of \$1,680,209.11. The Notes are to be dated the date of issue, to bear interest from such date at the rate of 10.00% per annum prior to maturity, to be payable in seventy-one (71) consecutive monthly installments, including both principal and interest, payable in accordance with the amortization schedule set forth in Schedule 1 hereto, with the first such installment to be paid on May 20, 1986, and the balance of such installments on the twentieth day of each calendar month thereafter to and including March 20, 1992; and to be otherwise substantially in the form attached hereto as Exhibit A.

D. The Secured Party will on the Closing Date assign its interest in the Notes, the Equipment, this Security Agreement and the Leases and will reassign its interest in the Southern Pacific Lease to the Connecticut National Bank, as security trustee (the "Security Trustee") pursuant to a Pledge and Security Agreement-Trust Deed between the Secured Party, as debtor, and the Security Trustee dated as of March 2, 1986 (the "86-2 Security Agreement").

E. Terms used herein and not otherwise defined shall have the meaning ascribed thereto in a certain Participation Agreement dated as of March 2, 1986 among the Secured Party, the Debtor, The Connecticut National Bank, as Security Trustee, and The Minnesota Mutual Life Insurance Company, Sons of Norway and Early American Life Insurance Company, as Note Purchasers

(the "Participation Agreement"). For purposes of this Security Agreement, the term "Operative Agreements" shall mean the Leases, this Security Agreement and the Southern Pacific Lease and the term "Equipment" has the meaning ascribed to it in Section 2.1 hereof.

SECTION 1. ISSUANCE AND SALE OF THE NOTES

1.1. Issue and Sale of Notes. (a) The Notes. The Debtor proposes to issue and sell its 10.00% Secured Notes due 1992 (the "Notes") in an aggregate principal amount not to exceed \$1,680,209.11. The Notes are to be dated the date of issue, to bear interest at the rate of 10.00% per annum prior to maturity, to be payable in seventy-one (71) consecutive monthly installments, including both principal and interest, payable in accordance with the amortization schedule set forth in Schedule 1 with the first such installment to be paid on May 20, 1986 and the balance of such installments to be paid on the twentieth day of each calendar month thereafter to and including March 20, 1992; and to be otherwise substantially in the form attached as Exhibit A. The term "Notes" as used herein shall include each Note delivered pursuant to this Security Agreement.

(b) Commitment of Secured Party. Subject to the terms and condition hereof and on the basis of the representations and warranties hereinafter set forth, the Debtor agrees to issue and sell to the Secured Party, and the Secured Party agrees to purchase from the Debtor, Notes of the Debtor at a price of 100% of the principal amount thereof in an amount equal to \$1,680,209.11 or such lesser amount as the Debtor shall specify in its notice of closing provided for in Section 1.2 hereof. The Notes delivered to the Secured Party on the Closing Date will be typewritten in the form of a single Note registered in the name of the Secured Party or in the name of the Secured Party's nominee.

(c) Security for the Notes. The Notes will be issued under and secured by this Security Agreement, creating a valid and perfected first security interest in the Southern Pacific Lease insofar as the same relates to the Equipment (subject to the interest of Southern Pacific under the Southern Pacific Lease and to the lien of the 86-2 Security Agreement and the rights of the Security Trustee thereunder), and providing for a present assignment of rentals and certain other sums due and to become due under the Southern Pacific Lease in respect of the Equipment with the right and privilege to apply such rentals and other sums to the payment or prepayment of the Notes (subject to the Excepted Rights in Collateral set forth in Section 2.5 of this Security Agreement and the to lien of the 86-2 Security Agreement and the rights of the Security Trustee thereunder, including without limitation the right to apply such rentals and other sums to the payment of sums due and to become due under or in respect of the 86-2 Security Agreement).

(d) Failure to Deliver. If on the Closing Date, the Debtor fails to tender to the Secured Party the Notes to be purchased by the Secured Party or if the conditions to the obligations of the Secured Party specified in Section 1.6 hereof have not been fulfilled, the Secured Party may thereupon elect to be relieved of the obligations under this Security Agreement with respect to the Closing Date. Nothing in this Section shall operate to relieve the Debtor from any of its obligations hereunder or to waive any of the Secured Party's rights against the Debtor.

(e) Prepayment. Except to the extent otherwise provided for in Sections 4.1(a), (b) and (d) of this Security Agreement, the Notes shall not be subject to prepayment or redemption in whole or in part at the option of the Debtor prior to the expressed maturity date thereof.

1.2. The Closing. The Notes will be delivered to the Secured Party hereunder on such closing date not later than May 30, 1986 (the "Closing Date") as the Debtor shall designate to the Secured Party by not less than five business days' prior written or telegraphic notice. Such notice shall confirm the principal amount of the Notes to be sold and delivered to the Secured Party on such date. The payment for the Notes shall be made as provided in an Escrow Agreement dated as of March 1, 1986 among the Security Trustee, as Escrow Agent, the Note Purchasers, the Debtor and the Secured Party.

1.3 Expiration of Commitment. The commitment of the Secured Party shall expire on May 30, 1986.

1.4. Warranties and Representations of the Debtor. The Debtor warrants and represents to the Secured Party that:

(a) Debtor Organization and Authority. The Debtor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; has all requisite power and authority and all necessary licenses and permits to own and operate its properties and to carry on its business as now conducted and to enter into, execute and deliver the Operative Agreements to which it is a party and the Notes; and is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction in which the character of its properties or the nature of its activities make such qualification necessary or where failure to so qualify would have a material and adverse effect on the ability of the Debtor to perform its obligations under the Operative Agreements to which it is a party and the Notes.

(b) Valid Contracts. The Operative Agreements and the Notes have been duly authorized, executed and delivered by the Debtor and said agreements or obligations constitute, or when executed and delivered will constitute, the legal, valid and binding obligations, contracts and agreements of the Debtor enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and to the availability of equitable remedies.

(c) Corporation Authority; No Conflict with Certificate of Incorporation. The execution and delivery by the Debtor of the Operative Agreements and the Notes and compliance by the Debtor with all of the provisions of said instruments:

(i) are within the corporate powers of the Debtor; and

(ii) will not violate any provisions of any law or any order of any court or governmental authority or agency and will not conflict with or result in any material breach of any of the terms, conditions of provisions

of, or constitute a default under the Certificate of Incorporation or By-Laws of the Debtor or any indenture, mortgage, conditional sale, loan or credit agreement or other instrument to which the Debtor is a party or by which it may be bound or result in the imposition of any liens or encumbrances on any property of the Debtor.

(d) Litigation. There are no proceedings pending or, to the knowledge of the Debtor, threatened against or involving the Debtor in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would materially and adversely affect the Southern Pacific Lease or the Equipment or the ability of the Debtor to enter into or perform the Operative Agreements or the Notes.

(e) Title to the Southern Pacific Lease. On the Closing Date, the ownership interest of the Debtor in and to the Southern Pacific Lease and the rentals and other sums payable thereunder in respect of the Equipment will be free and clear of any lien, encumbrance or interest whatsoever, excepting only the liens of this Security Agreement and the 86-2 Security Agreement and other Permitted Encumbrances.

(f) No Defaults. To the knowledge of the Debtor, no Event of Default or event which with the passing of time or the giving of notice, or both, would constitute an Event of Default under this Security Agreement has occurred and is continuing. The Debtor is not in violation in any material respect of any term of any of the Operative Agreements. The Debtor is not in default in the payment of the principal of or interest on any indebtedness for borrowed money the original principal amount of which exceeds \$500,000 or in material default under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money the original principal amount of which exceeds \$500,000 has been issued or under any lease and no event has occurred and is continuing under the provisions of any such instrument or agreement which with the lapse of time or the giving of notice or both, would constitute an event of default thereunder.

(g) Governmental Consent. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the Debtor is required in connection with the execution and delivery of the Operative Agreements, or the Southern Pacific Lease or the Notes.

(h) ERISA. The Debtor is not entering into the Operative Agreements or any other transaction contemplated hereby or thereby, directly or indirectly, in connection with any arrangement in any way involving any employee benefit plan or related trust (other than a governmental plan) with respect to which it in its individual capacity or to the best of its knowledge any of the other parties hereto or any of their affiliates, is a party-in-interest, all within the meaning of ERISA and the Code.

(i) Use of Proceeds. None of the transactions contemplated in this Security Agreement (including, without limitation, the use of the proceeds from the sale of the Notes) will violate or result in a violation by the Debtor of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, without limitation, Regulations G, T, and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter 11.

(j) Counterparts. The Debtor has executed two counterparts of the Southern Pacific Lease. Except with respect to the Amendment and Supplement to Railroad Equipment Lease dated as of June 3, 1983, the Second Amendment and Supplement to Railroad Equipment Lease dated as of March 15, 1984 (which Second Amendment and Supplement was amended by an Amendment dated as of December 15, 1984) and the Third Amendment and Supplement to Railroad Equipment Lease dated as of August 20, 1985 ("Third Amendment to Lease"), there have been no amendments or supplements to the Southern Pacific Lease. The copy of the Southern Pacific Lease attached to the Participation Agreement and Exhibits D-1 and D-2 is true, correct and complete in all respects.

(k) Rental and Casualty Value Payments. The aggregate monthly rent payment on each rent payment date under the Southern Pacific Lease in respect of the Equipment is \$151,211.84 which is at least equal to the installment of principal and interest payable on such date on and in respect of the Notes and the rental payment due under the Leases, and the amount of the Casualty Value in respect of the Equipment as set forth in Exhibit D-1 to the Third Amendment to Lease on any date when any such payment is due will be at least equal to the aggregate principal amount remaining unpaid on the Notes as of such date, plus accrued and unpaid interest thereon, after giving effect to the application of monthly rent payments due and payable prior to such date and the amount of Loss Value (as defined in the Leases) payable on such date.

(l) Securities Laws. The Debtor holds the ownership interest in and to the Southern Pacific Lease for its own account for investment and with no present intention of distributing or reselling the ownership interest or any part thereof, but without prejudice, however, to the right of the Debtor at all times to sell or otherwise dispose of all or any part of the ownership interest under a registration under the Securities Act of 1933, as amended, or under an exemption from such registration available under such Act. The Debtor acknowledges that the ownership interest has not been registered under the Securities Act of 1933, as amended, and that Southern Pacific does not contemplate filing, nor is it legally required to file, any such registration and the Debtor has been advised that the ownership interest must be held indefinitely unless it is subsequently registered under said Securities Act or an exemption from such registration is available.

(m) Private Offering. (i) The Debtor warrants and represents to the Secured Party that neither the Debtor nor any Person authorized or employed by the Debtor as agent or otherwise in connection with the placement of the Notes or any similar Security of the Debtor has offered any of the Notes or any similar Security of the Debtor for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser, other than the Secured Party.

(ii) Neither the Debtor nor any Person authorized or employed by the Debtor as agent, broker, dealer or otherwise in connection with the offering or sale of the ownership interest in the Southern Pacific Lease or any similar Security has offered any of such ownership interest or any similar Security for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto any Person.

(iii) The Debtor agrees that neither the Debtor nor anyone acting on the behalf of the Debtor will offer the Notes or any part thereof or the ownership interest in the Southern Pacific Lease or any part thereof or any Security similar to either thereof for issue or sale to, or solicit any offer to acquire any of the Notes or such ownership interest or any part of either thereof so as to bring the issuance and sale of the Notes or such ownership interest or any part of either thereof within the provisions of Section 5 of the Securities Act of 1933, as amended.

1.5. Representations of the Secured Party. (a) Authority of Secured Party; No Violation of Charter, By-laws, Indentures, etc. The Secured Party represents and warrants to the Debtor that:

(i) the Secured Party has full right, corporate power and authority to enter into and perform each Operative Agreement to which it is a party and each such Operative Agreement has been duly authorized, executed and delivered by the Secured Party and constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation, contract and agreement of the Secured Party enforceable against the Secured Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and to the availability of equitable remedies;

(ii) each Operative Agreement to which the Secured Party is a party does not, nor will the performance of its obligations thereunder and hereunder, violate the provisions of any charter instrument, by-law, indenture, mortgage, loan or credit agreement or other instrument to which it is a party or by which it may be bound; and

(iii) no consent, approval or authorization of, or filing, registration or qualification with, any governmental authority is necessary in connection with its execution or performance of the Operative Agreements to which it is a party or to the extent such approval, consent or other action is necessary, the same has been obtained and is in full force and effect.

(b) Purchase for Investment. The Secured Party represents to the Debtor that the Secured Party is purchasing the Notes to be acquired by it for its own account for investment and with no present intention of distributing or reselling such Notes or any part thereof, but without prejudice, however, to the right of the Secured Party at all times to sell or otherwise dispose of all or any part of such Notes under a registration under the Securities Act of 1933, as amended, or under an exemption from such registration available under such Act. The Secured Party intends to pledge the Notes to the Security Trustee for collateral purposes pursuant to the 86-2 Security Agreement. The Secured Party acknowledges that none of the Notes have been registered under the Securities Act of 1933, as amended, and that neither the Debtor nor Southern Pacific contemplates filing, or is legally required to file, any such registration; and the Secured Party has been advised that the Notes to be acquired by it must be held indefinitely unless such Notes are subsequently registered under said Securities Act or an exemption from such registration is available.

(c) ERISA Representations. The Secured Party represents that, under ERISA, no part of the funds to be used by the Secured Party to purchase the Notes constitutes assets of any employee benefit plan within the meaning of Title I of ERISA, including any separate account within the meaning of Section 401(b)(2)(B) of ERISA and in so representing the Secured Party has assumed the accuracy of the representations of the Note Purchasers in Section 3.3(c) of the Participation Agreement.

(d) Reaffirmation on the Closing Date. The purchase of the Notes by the Secured Party on the Closing Date shall constitute a reaffirmation by the Secured Party of its representations under this Section 1.5 as of the Closing Date.

1.6 Conditions Precedent to Investment by the Secured Party on the Closing Date. The obligations of the Secured Party to make the investments specified in Section 1.1 hereof on the Closing Date shall be subject to the following conditions:

(a) Notice of Closing Date. Not less than five business days prior to the Closing Date, the Secured Party shall have received written or telegraphic notice from the Debtor designating the Closing Date and setting forth the information required by Section 1.2 hereof.

(b) Execution of the Operative Agreements. On or prior to the Closing Date, the Operative Agreements and the Notes shall have been duly executed and delivered by the parties thereto and shall be in full force and effect.

(c) Recordation and Filing. On or prior to the Closing Date, the Debtor will, at its sole expense, cause the Southern Pacific Lease, the Leases, and this Security Agreement to be duly filed, recorded and deposited in conformity with 49 USC Section 11303 of the Interstate Commerce Act and in such other places within the United States and Canada as the Secured Party may reasonably request for the protection of the security interest of the Secured Party in the Southern Pacific Lease insofar as the same relates to the Equipment and will furnish the proof thereof.

(d) Release of Liens. On or prior to the Closing Date, the Secured Party shall have received evidence that all liens and encumbrances on or in respect of the Southern Pacific Lease insofar as the same relates to the Equipment have been released and discharged, all in form and substance satisfactory to the Secured Party and its counsel.

(e) Evidence of Insurance. On or prior to the Closing Date, the Secured Party shall have received evidence of the maintenance of any insurance required by Section 8(f) of the Southern Pacific Lease with respect to the Items of Equipment.

(f) Consent and Agreement of Southern Pacific. On the Closing Date, the Secured Party shall have received executed copies of a consent and Agreement signed by a duly authorized officer of Southern Pacific in the form attached as Exhibit E-1 to the Participation Agreement, together with a letter or certificate dated the Closing Date, addressed to the Secured Party and

signed by a duly authorized officer of Southern Pacific confirming the truth and accuracy of the representations and warranties contained in the Consent and Agreement.

(g) Certificate of Debtor. On the Closing Date, the Secured Party shall have received a certificate dated such date signed by the Debtor to the effect that the representations and warranties of the Debtor contained in Section 1.4 hereof are true in all material respects on said date with the same effect as though made on and as of said date and that the Debtor has performed and complied with all agreements and conditions herein contained which are required to be performed or complied with by the Debtor on or before said date.

(h) Southern Pacific's Corporate Existence and Authority. On the Closing Date, the Secured Party shall have received, in form and substance reasonably satisfactory to the Secured Party and its counsel, such documents and evidence with respect to Southern Pacific as the Secured Party may reasonably request in order to establish the existence and good standing of Southern Pacific and the authorization of the transactions contemplated by the Operative Agreements to which it is a party.

(i) Debtor's Corporate Existence and Authority. On the Closing Date, the Secured Party shall have received, in form and substance reasonably satisfactory to the Secured Party and its counsel, such documents and evidence with respect to the Debtor as the Secured Party may reasonably request in order to establish the existence and good standing of the Debtor and the authorization of the transactions contemplated by the Operative Agreements to which it is a party.

(j) Opinions. On the Closing Date, the Secured Party shall have received the favorable written opinions of counsel for the Debtor in form and substance satisfactory to it and of Alvord and Alvord, special Interstate Commerce Commission counsel, substantially in the form of Exhibit I to the Participation Agreement.

(k) Notes. The Notes to be delivered on the Closing Date shall have been duly authorized, executed and delivered to the Secured Party.

(l) No Legal Impediment. No change shall have occurred in applicable laws or regulations or any interpretations thereof, which might make it illegal for the Secured Party to participate in any of the transactions contemplated hereby or by the other Operative Agreements.

(m) Related Transactions. On the Closing Date,

(i) the Debtor shall have consummated the sale to the Secured Party of the entire principal amount of the Notes scheduled to be sold on the Closing Date;

(ii) the Debtor shall have consummated the sale to the Note Purchasers of not to exceed \$771,388 aggregate principal amount of its 10% Secured Notes due 1992 under and pursuant to the terms and conditions of the Participation Agreement dated as of March 1, 1986 among the Debtor, the Security Trustee and the Note Purchasers; and

(iii) the Secured Party shall have consummated the sale to the Note Purchasers of not to exceed \$6,195,297 aggregate principal amount of its 10% Secured Notes due 1992 (the "86-2 Notes") under and pursuant to the terms and conditions of the Participation Agreement.

(n) Proceedings Satisfactory. All proceedings taken in connection with the transactions contemplated hereby and all documents and papers relating thereto on the Closing Date shall be satisfactory to the Secured Party and its counsel and the Secured Party and its counsel shall have received copies of such documents and papers as the Secured Party or its counsel may reasonably request in connection therewith, all in form and substance satisfactory to the Secured Party and its counsel.

SECTION 2. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all the Debtor's obligations pursuant to this Security Agreement and the Leases, including the payment of Basic Rent, Daily Rent, Additional Rent and Loss Value (all as defined in the Leases) and the performance and observance of all of the Debtor's covenants and conditions in the Notes, the Leases and in this Security Agreement contained and in order to secure payment of the principal of and interest on the 86-2 Notes of the Secured Party according to their tenor and effect and to secure the payment of all of the Secured Party's obligations pursuant to the Participation Agreement and the 86-2 Security Agreement and the performance and observance of all of the Secured Party's covenants and conditions in the 86-2 Notes, the Participation Agreement and the 86-2 Security Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant to the Secured Party, its successors and assigns, including without limitation the Security Trustee under and pursuant to the 86-2 Security Agreement, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 2.1 and 2.2 hereof, subject always to those limitations set forth in Section 2.3 hereof; excluding, however, Excepted Rights in Collateral as defined in Section 2.5 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

2.1. Rental Collateral. Collateral includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Southern Pacific Lease insofar as the same relates to the railroad equipment described in Schedule 2 attached hereto and made a part hereof and any replacements or substitutions to such railroad equipment (collectively, the "Equipment" or "Items of Equipment" and individually an "Item" or "Item of Equipment") including all extensions of the term of the Southern Pacific Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Southern Pacific Lease insofar as the same relates to the Equipment, including, without limitation:

(1) the immediate and continuing right to receive and collect all Daily Rent, Fixed Rent, Additional Rent and Casualty Value payments (as each such term is defined in the Southern Pacific Lease), insurance proceeds, condemnation awards and other payments, tenders and security relating to the Equipment now or hereafter payable to or receivable by the Debtor under the Southern Pacific Lease pursuant thereto, except those sums reserved as Excepted Rights in Collateral under Section 2.5 hereof;

(2) subject only to the second paragraph of Section 3.6 hereof, the right to make all waivers and agreements and to enter into any amendments with respect to the Southern Pacific Lease or any provision thereof relating to the Equipment; and

(3) the right to take such action upon the occurrence of an Event of Default under the Southern Pacific Lease relating to the Equipment or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Southern Pacific Lease relating to the Equipment, including the commencement, conduction and consummation of legal, administrative or other proceedings, as shall be permitted by the Southern Pacific Lease or by law and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Southern Pacific Lease; it being the intent and purpose hereof that, subject always to Excepted Rights in Collateral, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all Daily Rent, Fixed Rent, Additional Rent and Casualty Value payments and other sums relating to the Equipment for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged, subject always to the lien of the 86-2 Security Agreement and the rights of the Security Trustee thereunder, including without limitation the right of the Security Trustee to pay and apply the Daily Rent, Fixed Rent, Additional Rent, Casualty Value payments and all other sums relating to the Equipment pursuant to the terms and provisions of the 86-2 Security Agreement.

2.2. After-Acquired Property. Collateral also includes any and all property described or referred to in granting clause 2.1 hereof which is hereafter acquired which shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing herein contained shall be deemed to modify or change the obligations of the Debtor under Section 3.3.

2.3. Limitations to Security Interest. The security interest granted by this Section 2 is subject to the leasehold estate of Southern Pacific in and to the Equipment leased and delivered under the Southern Pacific Lease so long as no Event of Default thereunder, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have occurred and be continuing and is further subject and subordinate in all respects to the lien of the 86-2 Security Agreement and the rights of the Security Trustee thereunder.

2.4. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however that such security interest is granted upon the express condition that if the Debtor shall pay all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Leases and the Notes contained and if the Secured Party shall pay all of the indebtedness secured by the 86-2 Security Agreement and shall observe, keep and perform all of the terms and conditions, covenants and agreements therein and in the Participation Agreement and the 10% Secured Notes due 1992 of the Security Party, then and in such event, but only in such event, these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

2.5. Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein or in any other agreement contained shall constitute an assignment of said Excepted Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Section 15 of the Southern Pacific Lease relating to the Equipment which by the terms of such section of the Southern Pacific Lease are payable to or on behalf of the Debtor for its own account;

(b) all rights of the Debtor under the Southern Pacific Lease to demand, collect, sue for or otherwise obtain all amounts from Southern Pacific due the Debtor on account of any such indemnities or payments, provided that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 18 of the Southern Pacific Lease except the right to proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Southern Pacific of the applicable covenants and terms of the Southern Pacific Lease or to recover damages for the breach thereof, but only pursuant to Section 18(A) of the Southern Pacific Lease relating to remedies; and

(c) all rights, privileges and immunities of the Debtor in respect of any insurance policies maintained by Southern Pacific pursuant to Section 8(f) of the Southern Pacific Lease relating to the Equipment, together with any insurance proceeds payable under general public liability policies so maintained which by the terms of such policies or the terms of the Southern Pacific Lease are payable directly to the Debtor for its own account.

Notwithstanding anything to the contrary in this Section 2.5, "Excepted Rights in Collateral" shall not include any of the rights, payments, privileges and immunities described in subparagraphs (a), (b) and (c) of this Section 2.5 which correspond to similar rights, payments, privileges and immunities to which Secured Party is entitled under Sections 12, 13, 14, 23 and 28 of the Leases as against or from Debtor so long as any payment or performance by Debtor with respect to such similar rights, payments, privileges and immunities remain due and owing to Secured Party.

2.6. Assignment of Rights and Not Duties. It is expressly understood and agreed that anything herein to the contrary notwithstanding, the Security Agreement is executed as collateral security and the execution and delivery hereof shall not in any way impair or diminish the obligations, if any, of the Debtor under or in respect of the Southern Pacific Lease, and the Debtor shall remain liable thereunder to perform all of the obligations, if any, assumed by it thereunder all in accordance with and pursuant to the terms and provisions thereof; nor shall any of the obligations contained in any of such agreements or instruments be imposed upon the Secured Party or any of the from time to time holders of the Notes.

SECTION 3. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

3.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements of or applicable to the Debtor set forth in the Operative Agreements, and in each and every supplement or amendment to any thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to any such Operative Agreement were fully set out in an amendment or supplement to this Security Agreement. The Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Operative Agreements and no implied obligations or covenants shall be read into this Security Agreement or any other Operative Agreements against the Debtor.

3.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands whatsoever, other than Permitted Encumbrances (as defined in the 86-2 Security Agreement). The Debtor also agrees that it will, at its own cost and expense, without regard to the provisions of Section 6 hereof, pay or satisfy and discharge any such liens and encumbrances on the Collateral, but the Debtor shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not adversely affect or endanger the title and interest of the Debtor or the security interest hereunder in and to the Collateral. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

3.3. Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the

foregoing but in furtherance of the security interest herein granted in the rents and other sums due and to become due under the Southern Pacific Lease in respect of the Equipment, the Debtor covenants and agrees that it will, pursuant to Section 17 of the Southern Pacific Lease, notify Southern Pacific of the assignment hereunder and of the reassignment under the 86-2 Security Agreement and direct Southern Pacific to make all payments, of such rents and other sums due and to become due under the Southern Pacific Lease in respect of the Equipment, other than Excepted Rights in Collateral, directly to the Security Trustee under the 86-2 Security Agreement as contemplated by the last paragraph of Section 4.1 hereof.

3.4. Recordation and Filing. The Debtor will cause this Security Agreement and all supplements hereto, the Southern Pacific Lease and all supplements thereto, the 86-2 Security Agreement and all supplements thereto and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party or the Security Trustee in such manner and in such place as may be reasonably requested by Secured Party or required by law in order to fully preserve and protect the rights of the Secured Party hereunder and of the Security Trustee under the 86-2 Security Agreement.

3.5 Modifications of the Southern Pacific Lease; Encumbrances on Collateral. The Debtor will not:

(a) declare a default or exercise the remedies of the Debtor under or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Southern Pacific Lease which in any such case affects the Equipment or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Southern Pacific Lease or any part thereof;

(b) receive or collect any rental or other payment under the Southern Pacific Lease relating to the Equipment prior to the date for payment thereof provided for by the Southern Pacific Lease, except in respect of Excepted Rights in Collateral, or assign, transfer or hypothecate or grant a security interest in (other than to the Secured Party hereunder and to the Security Trustee under the 86-2 Security Agreement) any rental or other payment then due or to accrue in the future under the Southern Pacific Lease relating to the Equipment; or

(c) sell, mortgage, transfer, assign or hypothecate or grant a security interest in (other than to the Secured Party hereunder and to the Security Trustee under the 86-2 Security Agreement), or suffer or cause to permit any sale, mortgage, transfer, assignment, hypothecation or grant a security interest in, its interest in the Collateral, except as expressly permitted by Section 3.9. hereof.

3.6. Power of Attorney in Respect of the Southern Pacific Lease insofar as the same Relates to the Equipment. The Debtor does hereby irrevocably constitute and appoint the Secured Party, its successors and assigns, including without limitation the Security Trustee under and pursuant to the 86-2 Security Agreement, its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to, upon the

occurrence of an Event of Default and while the same is continuing, but subject always to the lien of the 86-2 Security Agreement and the rights of the Security Trustee thereunder, ask, demand, collect, receive, receipt for, any and all rents, income and other sums which are assigned under Sections 2.1 and 2.2 hereof, and upon and during the continuance of an Event of Default or an event which with the lapse of time or giving of notice, or both ("Default"), would constitute an Event of Default, but subject always to the lien of the 86-2 Security Agreement and the rights of the Security Trustee thereunder, to sue for, compound and give acquittance for any and all such rents, income and other sums relating to the Equipment with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

The Secured Party hereby agrees with the Debtor that so long as no Default or Event of Default hereunder has occurred and is continuing, the Secured Party will not consent to the modification, amendment or waiver of any term or provision of the Southern Pacific Lease without the prior written consent of the Debtor.

3.7. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Southern Pacific Lease if the Debtor has actual knowledge of such event or condition.

3.8. Maintenance of Corporate Existence. The Debtor will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder, except as otherwise provided in Section 3.9 hereof.

3.9. Restrictions on Mergers, Consolidations and Sales of Assets. The Debtor will not sell, lease, transfer or otherwise dispose of all or a substantial portion of its corporate property or assets to any person, firm or corporation or consolidate with or merge into any other corporation or permit another corporation to merge into it unless (a) the successor formed by or resulting from such consolidation or merger or to which such sale, lease or other disposition shall have been made shall be a solvent corporation organized under the laws of the United States of America or a State thereof or the District of Columbia; (b) such successor corporation (if other than the Debtor) shall assume all of such Debtor's obligations under this Security Agreement, the Notes, the Leases and the Southern Pacific Lease; and (c) immediately after such merger, sale, lease or other disposition, such successor corporation shall not be in default in the performance or observance of any of the covenants, agreements or conditions contained in this Security Agreement, the Notes, the Leases or the Southern Pacific Lease.

SECTION 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS
RECEIVED BY THE SECURED PARTY.

4.1. Application of Rents and Other Payments. As more fully set forth in Section 2.1 hereof, the Debtor has hereby granted to the Secured Party a security interest in rents, issues, profits, income and other sums due and to become due under the Southern Pacific Lease in respect of the Equipment as security for the Notes and for the Debtor's obligations under the Leases. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing, but subject always to the last paragraph of this Section 4.1:

(a) The amounts from time to time received by the Secured Party which constitute payment by Southern Pacific under the Southern Pacific Lease of the installments of Daily Rent and Fixed Rent under the Southern Pacific Lease relating to the Equipment shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of rental which are received by the Secured Party, second, to the payment to Southern Pacific of the sum of \$25.00 per Item of Equipment in satisfaction of the obligations of Debtor under Section 10 of the Southern Pacific Lease pertaining to maintenance expenses, third, to the payment of Basic Rent, Daily Rent and Additional Rent under the Leases, fourth, to the payment to Southern Pacific of any sum due and owing from the Debtor to Southern Pacific pursuant to Section 13 of the Southern Pacific Lease, and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor not later than the first business day following the receipt thereof;

(b) The amounts from time to time received by the Secured Party which constitute settlement by Southern Pacific of the "Casualty Value" for any Item of Equipment pursuant to Section 12 of the Southern Pacific Lease shall be applied by the Secured Party as follows:

(i) First, to the payment of an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph;

(ii) Second, an amount equal to the Loan Value of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes so that each of the remaining installments of each Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment;

(iii) Third, an amount equal to the Loss Value, as defined in the Leases, shall be paid to the Secured Party; and

(iv) Fourth, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding clauses (i), (ii) and (iii) shall be released to or upon the order of the Debtor on the date of payment of the amounts provided in the preceding clauses (i), (ii) and (iii).

For purposes of this Section 4.1(b), the "Loan Value" in respect of any Item of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Assigned Value of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Assigned Value of all Items of Equipment then subject to the Southern Pacific Lease (including the Assigned Value of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this Section 4.1(b) (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 4.1(b)); for purposes of this Security Agreement, the term "Assigned Value" means \$3,767.29;

(c) The amounts, if any, from time to time received by the Secured Party which constitute payments of Additional Rent (other than Casualty Value payments) under the Southern Pacific Lease relating to the Equipment shall be paid to the Secured Party or any other holder of the Notes to which such Additional Rent is owed and then the balance, if any, of such amounts shall be promptly paid to or upon the order of the Debtor;

(d) The amounts, if any, received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by Southern Pacific in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Event of Default, or any event which, with the lapse of time or the giving of notice, or both, would constitute such an Event of Default, has occurred and is continuing to the knowledge of the Secured Party, the proceeds of such insurance shall, if the Item of Equipment is to be repaired, be released to the Debtor to reimburse Southern Pacific for expenditures made for such repair upon receipt by the Secured Party of a certificate of an authorized officer of Southern Pacific to the effect that any damage to such Item in respect of which such proceeds were paid has been fully repaired; and

(ii) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding clause (i) within 180 days from the receipt thereof by the Secured Party, or if within such period Southern Pacific shall have notified the Secured Party in writing that the Southern Pacific Lease is to be terminated in respect of such Item in accordance with the provisions of Section 12 of the Southern Pacific Lease, then so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Secured Party, the insurance proceeds shall be applied by the Secured Party as follows:

(A) First, to the prepayment of the Notes, all in the manner and to the extent provided for by clauses First and Second of Section 4.1(b) hereof;

(B) Second, to the payment of Loss Value (as defined in the Leases); and

(C) Third, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraphs (A) and (B) shall be released to or upon the order of the Debtor on the date of such prepayment of the Notes.

The Debtor acknowledges that its interest in the Southern Pacific Lease which it has assigned to the Secured Party pursuant to this Security Agreement has been reassigned by the Secured Party pursuant to the 86-2 Security Agreement and consents to such reassignment. The Debtor and the Secured Party agree that rents, issues, profits, income and all other sums due and to become due under the Southern Pacific Lease applied according to the terms of the 86-2 Security Agreement in satisfaction of obligations of the Secured Party thereunder shall be deemed to be received by the Secured Party and applied to the full and complete satisfaction of the Debtor's obligations and the Secured Party's rights pursuant to this Section 4.1, except that the Secured Party shall be excused from its obligations in paragraphs (a) and (b) hereof concerning the timing of payments to the extent that failure to satisfy such requirements is due to the fault of the Security Trustee or Southern Pacific.

4.2. Multiple Notes. If more than one Note is outstanding at the time any such application is made, such application shall be made on all outstanding Notes ratably in accordance with the aggregate principal amount remaining unpaid thereon.

4.3. Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, but subject always to the lien of the 86-2 Security Agreement and the rights of the Security Trustee thereunder, all amounts received by the Secured Party pursuant to Section 2.1 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

SECTION 5. DEFAULTS AND OTHER PROVISIONS.

5.1. Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days;

(b) An Event of Default (as defined in the Southern Pacific Lease) shall have occurred and be continuing under the Southern Pacific Lease;

(c) An Event of Default (as defined in the Leases) shall have occurred and be continuing under the Leases;

(d) An Event of Default (as defined in the 86-2 Security Agreement) shall have occurred and be continuing under the 86-2 Security Agreement;

(e) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement, and such default shall continue unremedied for 25 days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied;

(f) Any representation or warranty on the part of the Debtor made herein or in any report, certificate, financial or other statement furnished in connection with this Security Agreement or the Southern Pacific Lease or the transactions contemplated therein, shall prove to have been false or misleading in any material respect when made and shall remain material to the Secured Party or any holder of the Notes at the time any such person becomes actually aware of such misrepresentation;

(g) The Debtor becomes insolvent or fails generally to pay its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for the Debtor or for the major part of its property;

(h) A trustee or receiver is appointed for the Debtor or for the major part of its property and is not discharged within 60 days after such appointment; or

(i) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Debtor and, if instituted against the Debtor, are consented to or are not dismissed within 60 days after such institution.

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Section 6 hereof and to the lien of the 86-2 Security Agreement and the rights of the Security Trustee thereunder, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the California Commercial Code (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) The Secured Party may by notice in writing to the Debtor declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to the rights of Southern Pacific under the Southern Pacific Lease, provided the same is not then in default, the Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein

contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral of any part thereof, or, subject to the provisions of Section 6 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(c) Subject always to the rights of Southern Pacific under the Southern Pacific Lease, provided the same is not then in default, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor and to Southern Pacific, once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction or private sale to the highest bidder, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by written announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, or the Debtor, or Southern Pacific may bid and become the purchaser at any such sale;

(d) Subject always to the rights of Southern Pacific under the Southern Pacific Lease, provided the same is not then in default, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Southern Pacific Lease relating to the Equipment, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Certain Rights of the Debtor on the Occurrence of an Event of Default Under the Southern Pacific Lease. Except as hereinafter provided, if an Event of Default under the Southern Pacific Lease of which the Secured Party has knowledge shall have occurred and be continuing, the Secured Party shall give the Debtor not less than 7 day's prior written notice of the date (the "Enforcement Date") on which the Secured Party will exercise any remedy or remedies pursuant to Section 5.2 hereof. In the event of the occurrence of an Event of Default in respect of the payment of Fixed Rent under the Southern Pacific Lease on the day it becomes due and payable (unless there shall have occurred and be continuing any Event of Default under the Southern Pacific Lease other than a failure to pay Fixed Rent), the Debtor may, prior to the Enforcement Date, pay to the Secured Party an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable on the Notes and any other sums due and owing to the Secured Party under the Southern Pacific Lease and such payment by the Debtor shall be deemed to cure any Event of Default under the Southern Pacific Lease and any Event of Default hereunder which arose or would otherwise have arisen on account of the non-payment by Southern Pacific of such installment of Fixed Rent under the Southern Pacific Lease; provided, however, that the Debtor may not exercise such right in respect of more than two consecutive Fixed Rent payment defaults or in any event more than a total of five times

throughout the term of the Southern Pacific lease. Each payment made by the Debtor pursuant to this Section 5.3 shall be accompanied by a certificate of the Debtor setting forth the number of times and dates on which it has exercised its rights under this Section 5.3.

Except as hereinafter in this Section 5.3 provided, the Debtor shall not, by exercising the right to cure any such Event of Default, obtain any lien, charge or encumbrance of any kind on any of the Collateral for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of the Debtor against Southern Pacific or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Secured Party in and to the Collateral. Upon such payment by the Debtor of the amount of principal and interest then due and payable on the Notes, the Debtor shall be subrogated to the rights of the Secured Party in respect of the Fixed Rent which was overdue at the time of such payment and interest payable by Southern Pacific on account of its being overdue, and therefore, if no other Event of Default shall have occurred and be continuing and if all principal and interest payments due on the Notes have been paid at the time of receipt by the Secured Party of such Fixed Rent, the Debtor shall be entitled to receive such Fixed Rent and such interest upon, but only upon, receipt thereof by the Secured Party; provided that (a) in the event the principal and interest on the Notes shall have become due and payable pursuant to Section 5.2(a) hereof, such subrogation shall, until principal of and interest on all Notes shall have been paid in full, together with all costs and expenses incurred by the Secured Party in connection with the exercise of its rights and remedies hereunder, including reasonable attorneys fees, be absolutely and unconditionally subordinate to the rights of the Secured Party in respect of such payment of Fixed Rent and such interest on such overdue Fixed Rent, together with such costs and expenses, prior to receipt by the Debtor of any amount pursuant to such subrogation, and (b) the Debtor shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation and pursuant to Section 18(A) of the Southern Pacific Lease insofar as said section permits recovery of damages.

5.4. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.5. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, of the Debtor its successors and assigns, and against any and all person claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of Southern Pacific under the Southern Pacific Lease).

5.6. Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of all sums due and owing under the 86-2 Security Agreement;

(b) Second, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all reasonable compensation, expenses, liability and advances, including legal expenses and attorneys' fees, owed to or incurred or made hereunder by, the Secured Party or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(c) Third, to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest with application to each Note to be made, first, to the unpaid interest thereon, and then to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid;

(d) Fourth, to the payment of amounts due pursuant to the Leases; and

(e) Fifth, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.7. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 6. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement, the Notes, the Southern Pacific Lease, any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, neither the Secured Party nor the holder of any Note nor their respective successors or assigns shall have any claim, remedy or right to proceed (at law or in equity) against the Debtor or any of its past, present or future shareholders, officers, directors, agents or employees (except with respect to Debtor's obligations under the Leases and Sections 1.4., 3.2, 3.5 and 7.8 hereof) for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by the Notes or the payment of any liability resulting from the breach of any representation, agreement or warranty made hereunder of any nature whatsoever from any source other than the Collateral (including sums due and to become due under the Southern Pacific Lease); and the Secured Party and the holders of the Notes by acceptance hereof waive and release any personal liability of the Debtor and its past, present and future shareholders, officers, directors, agents and employees (except with respect to Debtor's obligations under the Leases and Sections 1.4, 3.2, 3.5 and 7.8 hereof) for and on account of such indebtedness of such liability and the Secured Party and the holders of the Notes agree to look solely to the Collateral for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party and the holders of the Notes to accelerate the maturity of the Notes upon a default hereunder, to bring suit and obtain a judgment against the Debtor on the Notes (provided that neither the Debtor nor any of its past, present or future shareholders, officers, directors, agents or employees shall have any personal liability on any such judgment and the satisfaction thereof shall be limited to the property mortgaged or assigned by the Debtor as security for the Notes, including any interest therein of the Debtor) or, subject to the terms and conditions of the Southern Pacific Lease, to foreclose the lien of this Security Agreement or otherwise realize upon the property mortgaged or assigned by the Debtor as security for the Notes, including the right to proceed against Southern Pacific under the Southern Pacific Lease; and provided further, that nothing herein contained shall limit the liability of the Debtor for its own fraudulent or willful misconduct.

SECTION 7. MISCELLANEOUS

7.1. Registration and Execution. The Notes shall be registered as to principal and interest and shall be signed on behalf of the Debtor by its President or any Vice President or any other officer of the Debtor who, at the date of the actual execution thereof, shall be a proper officer to execute the same.

7.2. Payment of the Notes. (a) The principal of, and interest on, the Notes shall be payable by wire transfer of immediately available funds or as the Secured Party shall otherwise designate. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of any Note agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 7.4. and 7.5.

(b) All amounts constituting payment of the installments of rental under the Southern Pacific Lease or Casualty Value received by the Secured Party and applied on the Notes pursuant to Section 4 hereof shall be valid and effectual to satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

7.3. The Register. The Debtor will keep at its principal office a register for the registration and transfer of Notes (herein called the "Register"). The names and addresses of the holders of the Notes, the transfer of the Notes and the names and addresses of the transferees of all Notes shall be registered in the Register.

7.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes.

(a) The holder of any Note may transfer such Note upon the surrender thereof at the principal corporate office of the Debtor. Thereupon, the Debtor shall execute in the name of the transferee a new Note or Notes in denominations of not less than \$250,000 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to such holder for delivery to such transferee.

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal office of the Debtor, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of \$250,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in the denomination or denominations so requested (but not less than \$250,000) and in the aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered and deliver such new Note or Notes to such holder.

(c) All Notes presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor,

duly executed by the registered holder or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any installment payment date with respect thereto. The Debtor may absolutely rely on any signature purporting to be correct and shall have no duty of inquiry upon any such presentation or surrender of Notes for exchange or transfer. Without limiting the foregoing, under no circumstances will the Debtor be required to make the same payment of principal, premium, if any, or interest on or in respect of the Notes to more than one holder of the Notes.

(d) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 7.4, and the holder of any Note issued as provided in this Section 7.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(e) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be required by the Debtor to save it harmless from all risks, and the applicant shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such note and the ownership thereof. If the Secured Party, or its nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of the Secured Party setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of the Secured Party, to indemnify the Debtor for any claims or action against it (and for its attorney's fees) resulting from the issuance of such new Note or the reappearance of the old Note.

7.5. The New Notes.

(a) Each new Note (herein, in this Section 7.5, called a "New Note") issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 7.5, called an "Old Note") shall be dated the date of such Old Note. The Debtor shall mark on each New Note (i) the dates to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such new Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on any date shall bear the same

proportion to the installment payment payable on such Old Note on such date as the original principal amount of such new Note bears to the original aggregate principal amount of such Old Note. Interest shall be deemed to have been paid on such new Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such new Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 7.4(a), (b) or (e), the Debtor may require the payment of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses, including reasonable attorneys' fees, connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

(d) Upon the issuance of any Note pursuant to this Security Agreement, the holder of the Note may submit to the Debtor a request that the Debtor prepare and deliver to the holder of the Note an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment.

7.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

7.7. Registered Owner. The person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and the Debtor shall not be affected by any notice to the contrary. Payment of or on account of the principal of and interest on such Note shall be made only to or on the direction in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

7.8. Indemnification by Debtor with Respect to Certain Taxes. The Debtor agrees to pay all taxes, assessments and other governmental charges imposed on or measured by the net income of the Debtor which if unpaid would constitute a lien on the Collateral and also agrees to indemnify and save harmless the Secured Party against any reduction in value of the Collateral by reason of any lien or charge imposed on the Collateral as a result of the nonpayment of any such taxes, assessments or governmental charges and any expenses (including court costs and attorneys' fees) incurred by the Secured Party in discharging or nullifying any such lien or charge.

7.9. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

7.10. Survival. All warranties, representations and covenants made by the Debtor or the Secured Party herein or in any certificate or other instrument delivered by any such party or on the behalf of any such party under this Security Agreement shall be considered to have been relied upon by each other party hereto and shall survive the consummation of the transactions contemplated hereby on the Closing Date regardless of any investigation made by any such party or on the behalf of any such party. All statements in any such certificate or other instrument shall constitute warranties and representations by the party so making the same.

7.11. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision herein contained unenforceable or invalid, provided that nothing contained in this Section 7.11 shall be construed to be in derogation of any rights or immunities of the Debtor in its individual capacity under Section 6 hereof, or to amend or modify any limitations or restrictions of the Secured Party or the holder of any Note or their respective successors or assigns under said Section 6.

7.12. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, certified or registered, postage prepaid, addressed as follows:

If to the Debtor:	Greenbrier Leasing Corporation One Centerpointe Drive Suite 200 Lake Oswego, Oregon 97034
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Attention: President

If to the Secured Party:	California Group Services One Walnut Creek Center 100 Pringle Avenue, Suite 225 Walnut Creek, California 94596
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or to any such party at such other addresses as such party may designate by notice duly given in accordance with this Section to the other parties.

7.13. Amendments. This Security Agreement may, from time to time and at any time, be amended or supplemented by an instrument or instruments in writing executed by the parties hereto.

7.14. Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

7.15. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of California without regard to principles of conflicts of law; provided, however, that the Secured Party and the Debtor shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulations.

7.16. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

7.17. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed, as of the day and year first above written.

GREENBRIER LEASING CORPORATION


By W. J. [Signature]
Its PRESIDENT

CALIFORNIA GROUP SERVICES

By [Signature]
Its VICE PRESIDENT

STATE OF OREGON)
) SS
COUNTY OF CLACKAMAS)

On this 17th day of MAY, 1986, before me personally appeared WILLIAM A. FURMAN, to me personally known, who being by me duly sworn, says that he is a PRESIDENT of GREENBRIER LEASING CORPORATION, that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



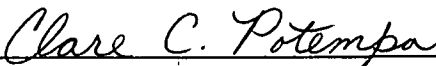
Notary Public

(SEAL)

My commission expires: 6-8-89

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 19th day of May, 1986, before me personally appeared Steven M. Pickens, to me personally known, who being by me duly sworn, says that he is a Vice President of CALIFORNIA GROUP SERVICES, that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public

(SEAL)

My commission expires:

NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXP. MAY 22, 1989
ISSUED THRU ILL. NOTARY ASSOC.

AMORTIZATION SCHEDULE

(Payments Required Per \$1,000,000 Principal Amount
of 10.00% Secured Notes Issued by Debtor)

<u>Payment Number</u>	<u>Year</u>	<u>Date of Installment</u>	<u>Payment Amount</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Ending Balance</u>
0	1986		0.00	0.00	0.00	0.00
0			0.00	0.00	0.00	0.00
0			0.00	0.00	0.00	0.00
0			0.00	0.00	0.00	1,000,000.00
1		May	18,561.93	0.00	18,561.93	981,438.07
2		Jun	18,561.93	8,178.65	10,383.28	971,054.79
3		Jul	18,561.93	8,092.12	10,469.81	960,584.98
4		Aug	18,561.93	8,004.87	10,557.06	950,027.92
5		Sep	18,561.93	7,916.90	10,645.03	939,382.89
6		Oct	18,561.93	7,828.19	10,733.74	928,649.15
7		Nov	18,561.93	7,738.74	10,823.19	917,825.96
8		Dec	<u>18,561.93</u>	<u>7,648.55</u>	<u>10,913.38</u>	906,912.58
			148,495.44	55,408.02	93,087.42	
9	1987	Jan	18,561.93	7,557.60	11,004.33	895,908.25
10		Feb	18,561.93	7,465.90	11,096.03	884,812.22
11		Mar	18,561.93	7,373.44	11,188.49	873,623.73
12		Apr	18,561.93	7,280.20	11,281.73	862,342.00
13		May	18,561.93	7,186.18	11,375.75	850,966.25
14		Jun	18,561.93	7,091.39	11,470.54	839,495.71
15		Jul	18,561.93	6,995.80	11,566.13	827,929.58
16		Aug	18,561.93	6,899.41	11,662.52	816,267.06
17		Sep	18,561.93	6,802.23	11,759.70	804,507.36
18		Oct	18,561.93	6,704.23	11,857.70	792,649.66
19		Nov	18,561.93	6,605.41	11,956.52	780,693.14
20		Dec	<u>18,561.93</u>	<u>6,505.78</u>	<u>12,056.15</u>	768,636.99
			222,743.16	84,467.57	138,275.59	
21	1988	Jan	18,561.93	6,405.31	12,156.62	756,480.37
22		Feb	18,561.93	6,304.00	12,257.93	744,222.44
23		Mar	18,561.93	6,201.85	12,360.08	731,862.36
24		Apr	18,561.93	6,098.85	12,463.08	719,399.28
25		May	18,561.93	5,994.99	12,566.94	706,832.34
26		Jun	18,561.93	5,890.27	12,671.66	694,160.68
27		Jul	18,561.93	5,784.67	12,777.26	681,383.42
28		Aug	18,561.93	5,678.20	12,883.73	668,499.69
29		Sep	18,561.93	5,570.83	12,991.10	655,508.59
30		Oct	18,561.93	5,462.57	13,099.36	642,409.23
31		Nov	18,561.93	5,353.41	13,208.52	629,200.71
32		Dec	<u>18,561.93</u>	<u>5,243.34</u>	<u>13,318.59</u>	615,882.12
			222,743.16	69,988.29	152,754.87	

<u>Payment Number</u>	<u>Year</u>	<u>Date of Installment</u>	<u>Payment Amount</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Ending Balance</u>
33	1989	Jan	18,561.93	5,132.35	13,429.58	602,452.54
34		Feb	18,561.93	5,020.44	13,541.49	588,911.05
35		Mar	18,561.93	4,907.59	13,654.34	575,256.71
36		Apr	18,561.93	4,793.81	13,768.12	561,488.59
37		May	18,561.93	4,679.07	13,882.86	547,605.73
38		Jun	18,561.93	4,563.38	13,998.55	533,607.18
39		Jul	18,561.93	4,446.73	14,115.20	519,491.98
40		Aug	18,561.93	4,329.10	14,232.83	505,259.15
41		Sep	18,561.93	4,210.49	14,351.44	490,907.71
42		Oct	18,561.93	4,090.90	14,471.03	476,436.68
43		Nov	18,561.93	3,970.31	14,591.62	461,845.06
44		Dec	<u>18,561.93</u>	<u>3,848.71</u>	<u>14,713.22</u>	447,131.84
			222,743.16	53,992.88	168,750.28	
45	1990	Jan	18,561.93	3,726.10	14,835.83	432,296.01
46		Feb	18,561.93	3,602.47	14,959.46	417,336.55
47		Mar	18,561.93	3,477.80	15,084.13	402,252.42
48		Apr	18,561.93	3,352.10	15,209.83	387,042.59
49		May	18,561.93	3,225.35	15,336.58	371,706.01
50		Jun	18,561.93	3,097.55	15,464.38	356,241.63
51		Jul	18,561.93	2,968.68	15,593.25	340,648.38
52		Aug	18,561.93	2,838.74	15,723.19	324,925.19
53		Sep	18,561.93	2,707.71	15,854.22	309,070.97
54		Oct	18,561.93	2,575.59	15,986.34	293,084.63
55		Nov	18,561.93	2,442.37	16,119.56	276,965.07
56		Dec	<u>18,561.93</u>	<u>2,308.04</u>	<u>16,253.89</u>	260,711.18
			222,743.16	36,322.50	186,420.66	
57	1991	Jan	18,561.93	2,172.59	16,389.34	244,321.84
58		Feb	18,561.93	2,036.02	16,525.91	227,795.93
59		Mar	18,561.93	1,898.30	16,663.63	211,132.30
60		Apr	18,561.93	1,759.44	16,802.49	194,329.81
61		May	18,561.93	1,619.42	16,942.51	177,387.30
62		Jun	18,561.93	1,478.23	17,083.70	160,303.60
63		Jul	18,561.93	1,335.86	17,226.07	143,077.53
64		Aug	18,561.93	1,192.31	17,369.62	125,707.91
65		Sep	18,561.93	1,047.57	17,514.36	108,188.55
66		Oct	18,561.93	901.61	17,660.32	90,533.23
67		Nov	18,561.93	754.44	17,807.49	72,725.74
68		Dec	<u>18,561.93</u>	<u>606.05</u>	<u>17,955.88</u>	54,769.86
			222,743.16	16,801.84	205,941.32	

<u>Payment Number</u>	<u>Year</u>	<u>Date of Installment</u>	<u>Payment Amount</u>	<u>Interest Portion</u>	<u>Principal Portion</u>	<u>Ending Balance</u>
69	1992	Jan	18,561.93	456.42	18,105.51	36,664.35
70		Feb	18,561.93	305.54	18,256.39	18,407.96
71		Mar	18,561.36	153.40	18,407.96	.00
72		Apr	.00	0.00	0.00	.00
73		May	.00	0.00	0.00	.00
74		Jun	.00	0.00	0.00	.00
75		Jul	.00	0.00	0.00	.00
76		Aug	.00	0.00	0.00	.00
77		Sep	.00	0.00	0.00	.00
78		Oct	.00	0.00	0.00	.00
79		Nov	.00	0.00	0.00	.00
80		Dec	.00	0.00	0.00	.00
			55,685.22	915.36	54,769.86	

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>IDENTIFYING MARKS AND NUMBERS</u>	<u>NUMBER OF CARS</u>	<u>DESCRIPTION</u>	<u>ASSIGNED VALUE EACH</u>	<u>TOTAL ASSIGNED VALUE</u>
SP900011 to SP900478 inclusive, except not including SP900193, SP900206, SP900267, SP900337, SP900353, SP900421, SP900424, SP900427, SP900428, SP900430 to SP900432, SP900434, SP900435, SP900438, SP900439, SP900441, SP900445, SP900457 to SP900459, SP900464, SP900465, SP900468, SP900471, and SP900475; SP901100 to SP901103 inclusive.	446	70 ton trailer-on flatcars	\$3,767.29	\$1,680,209.11

SCHEDULE 2
(to Security Agreement)

GREENBRIER LEASING CORPORATION

10.00% SECURED NOTE
(NON-RECOURSE)

NO. R-1

\$1,680,209.11

May 20, 1986

FOR VALUE RECEIVED, the undersigned, GREENBRIER LEASING CORPORATION, a Delaware corporation (the "Debtor") promises to pay to CALIFORNIA GROUP SERVICES, a California corporation, or registered assigns, the principal sum of ONE MILLION SIX HUNDRED EIGHTY THOUSAND TWO HUNDRED NINE AND 11/100s DOLLARS (\$1,680,209.11) together with interest from the date hereof until maturity at the rate of 10.00% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

- (i) Seventy (70) installments of both principal and interest in the respective amounts set forth in the amortization schedule attached hereto, payable on May 20, 1986 and on the twentieth day of each calendar month thereafter to and including February 20, 1992; followed by
- (ii) A final installment on March 20, 1992 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date.

Without limiting the foregoing, the Debtor agrees to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at the rate of 12.00% per annum after maturity, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the registered holder hereof in such coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the 10.00% Secured Notes of the Debtor not exceeding \$1,680,209.11 in aggregate principal amount (the "Notes") which is issued under and pursuant to the Finance and Security Agreement dated as of March 2, 1986 (the "Security Agreement") between the Debtor and California Group Services (the "Secured Party"). Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof. Without limiting the foregoing, the holder of this Note acknowledges and agrees that its rights in and to the collateral described in the Security Agreement are subject and subordinate to the lien of that certain Pledge and Security Agreement-Trust Deed dated as of March 2, 1986 between the Secured Party, as debtor, and The Connecticut

National Bank, as Security Trustee, as secured party (the "Security Trustee") and to the rights of the Security Trustee under said Security Agreement.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement as contemplated by Section 4.1 thereof. Otherwise this Note shall not be subject to prepayment of redemption in whole or in part at the option of the Debtor prior to the expressed maturity date hereof. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Debtor, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing and otherwise in accordance with the terms and provisions of the Security Agreement.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of California.

Anything in the Security Agreement, the Notes, the Southern Pacific Lease (as defined in the Security Agreement), any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, neither the Secured Party nor the holder of any Note nor their respective successors or assigns shall have any claim, remedy or right to proceed (at law or in equity) against the Debtor or any of its past, present or future shareholders, officers, directors, agents or employees (except with respect to Debtor's obligations under the Leases (as defined in the Security Agreement) and Sections 1.4, 3.2, 3.5 and 7.8 of the Security Agreement) for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty made under the Security Agreement of any nature whatsoever from any sources other than the Collateral (including sums due and to become due under the Southern Pacific Lease); and the Secured Party and the holders of the Notes by acceptance thereof waive and release any personal liability of the Debtor and its past, present and future shareholders, officers, directors, agents and employees (except with respect to Debtor's obligations under the Leases and Sections 1.4, 3.2, 3.5 and 7.8 of the Security Agreement) for and on account of such indebtedness or such liability, and the Secured Party and the holders of the Notes agree to look solely to the Collateral for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party and the holders of the Notes to accelerate the maturity of the Notes upon a default hereunder, to bring suit and obtain a judgment against the Debtor on the Notes (provided that neither the Debtor nor any of its past, present or future shareholders, officers, directors, agents or employees shall have any personal liability on any such judgment and the satisfaction thereof shall be limited to the property mortgaged or assigned by the Debtor as security for the Notes,

including any interest therein of the Debtor) or, subject to the terms and conditions of the Southern Pacific Lease, to foreclose the lien of this Security Agreement or otherwise realize upon the property mortgaged or assigned by the Debtor as security for the Notes, including the right to proceed against Southern Pacific under the Southern Pacific Lease; and provided, further, that nothing herein contained shall limit the liability of the Debtor for its own fraudulent or willful misconduct.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

GREENBRIER LEASING CORPORATION

By _____
Its _____

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE. THE NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.